



September 18, 2020

To: Columbia Association Board of Directors
(E-Mail: Board.Members.FY21@ColumbiaAssociation.org)
 CA Management

From: Andrew C. Stack, Board Chair

The Columbia Association Board of Directors Virtual Meeting will be held on Thursday, September 24, 2020 at 7:00 p.m.

AGENDA

	5 min.	Page Nos.
1. Call to Order		
(a) Announce the procedures being used to conduct the virtual meeting		
(b) Roll Call to determine Directors/senior staff in attendance		
(c) Announce that both audio and video of the meeting are being broadcast. Anyone using the link to the meeting on CA's website will be able to see and hear the proceedings.		
2. Announcement of Closed/Special Meetings Held/To Be Held	1 min.	
3. Approval of Agenda	1 min.	
4. Verbal Resident Speakout will be available to individuals who submitted the Resident Speakout form on CA's website by the specified due date. Residents may also send written comments to CA's Board of Directors at Board.Members.FY21@columbiaassociation.org . Please note that, due to time constraints, it may be necessary to limit the number of people at Verbal Resident Speakout.		
5. Consent Agenda	1 min.	
(a) Approval of Minutes – July 23, 2020 BOD Meeting		3 - 5
(b) Easement Request – Water Main Connection-Swan Point Place and Cradlerock Way		6 - 10
6. Board Votes	55 min.	
(a) Parameters for operating and capital budgets	(10 min.)	11- 13
(b) Annual Charge rate and cap	(10 min.)	14 - 17
(c) Guidance for Membership Rates for Fiscal Year 2022	(10 min.)	18 - 22
(d) Parameters for a new Reserve Fund	(10 min.)	23 - 25
(e) Policy for e-scooters	(15 min.)	26
7. Board Discussion	25 min.	
(a) Pre-filed State Legislation	(10 min.)	27
(b) How to securely and manageably invite individuals, other than CA Board members and CA staff, to directly join virtual Board meetings and work sessions.	(15 min.)	
8. Chairman's Remarks	5 min.	28
9. Reports/Presentations	30 min.	
(a) President's Report – See written report – Follow-up questions from the BOD	(10 min.)	29 - 34
(b) Report from the CA Representatives to the Inner Arbor Trust Board of Directors	(5 min.)	35
(c) Financial Reports and Updates	(15 min.)	
1. FY 21 1 st Quarter Financial Report		36
2. FY 21 1 st Quarter Financial Statements		37 - 58

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|-----|---|--------|----|
| 10. | Tracking Forms | 5 min. | |
| | (a) Tracking Form for Board Requests | | 59 |
| | (b) Tracking Form for Resident Requests | | 60 |
| 11. | Proposed New Topics | 5 min. | |
| 12. | Talking Points | 2 min. | |
| 13. | Adjournment – Anticipated Ending Time: Approximately 10:00 p.m. | | |

Next Scheduled Virtual Work Sessions and Meetings

Thursday, October 8, 2020 – Board of Directors Work Session – 7:00 p.m.

Thursday, October 22, 2020 – Board of Directors Meeting – 7:00 p.m.

Thursday, October 29, 2020 – Board of Directors Budget Work Session – 7:00 p.m.

Next Scheduled Virtual New Town Visioning and Planning Workshop

Thursday, October 15, 2020 – 7:00 p.m.

ARRANGEMENTS FOR AN INTERPRETER FOR THE HEARING IMPAIRED CAN BE MADE BY CALLING 410-715-3111 AT LEAST THREE DAYS IN ADVANCE OF THE MEETING.

CA Mission Statement

Engage our diverse community, cultivate a unique sense of place, and enhance quality of life

CA Vision Statement

CA creates and supports solutions to meet the evolving needs of a dynamic and inclusive community.

**Draft Minutes of the
BOARD OF DIRECTORS MEETING
Held July 23, 2020**

To be Approved September 24, 2020

A virtual meeting of Columbia Association's Board of Directors was held on Thursday, July 23, 2020. Participating in the meeting were Chairman Andrew Stack, Vice Chair Virginia Thomas, and members Dick Boulton, Renee DuBois, Jessamine Duvall, Lin Eagan, Janet Evans, Alan Klein, President/CEO Milton W. Matthews, Nancy McCord, and Shari Zaret. Also participating were Vice President/CFO Susan Krabbe and CIO Chuck Thompson.

1. Call to Order: The Board of Directors Meeting was called to order at 7:00 p.m. by Chairman Andrew Stack. Mr. Stack announced the directors in attendance and reminded attendees that the meeting was being live-streamed and recorded.

2. Announcement of Closed/Special Meetings Held/To Be Held

CA's **Board of Directors** held a closed virtual work session on July 2, 2020. Participating were Chairman Andrew Stack, Vice Chair Virginia Thomas, and members Dick Boulton, Renee DuBois, Jessamine Duvall, Lin Eagan, Alan Klein, Nancy McCord, and Shari Zaret. The vote to close the work session was 9-0-0.

The closed meeting was authorized under the Maryland Homeowners Association Act, Md. Code, Real Property §11B-111(4)(i), Discussion of matters pertaining to employees and personnel. The meeting was closed from 7:05 p.m. until 8:55 p.m. to discuss a personnel matter.

CA's **Risk Management Committee** held a closed virtual meeting on July 9, 2020. Participating were Jessamine Duvall, Lin Eagan, Susan Krabbe, Milton W. Matthews, and Richard Shaw. Also present were Renee DuBois, Sheri Fanaroff, Andrew Stack, and Virginia Thomas. The vote to close the meeting was 5-0-0.

The closed meeting was authorized under the Maryland Homeowners Association Act, Md. Code, Real Property §11B-111(4)(iv), Consultation with staff personnel, consultants, attorneys, board members, or other persons in connection with pending or potential litigation or other legal matters. The meeting was closed from 6:02 p.m. until 6:48 p.m. to review the general liability risk management program status and claims activity.

The **Architectural Resource Committee** held a closed virtual meeting on July 13, 2020. Members participating were Deb Bach, Ed Gordon, Anne McKissick, Carl McKinney, and Sheri Fanaroff. Others present were Tina Addo, Lisa Colavita, Debbie Nix, Laura Parrish, and Devora Wilkinson. The vote to close the meeting was 5-0-0.

The closed meeting was authorized under the Maryland Homeowners Association Act, Md. Code, Real Property §11B-111(4)(iv), Consultation with staff personnel, consultants, attorneys, board members or other persons in connection with pending or potential litigation or other legal matters. The meeting was closed from 1:06 p.m. until 2:00 p.m. for discussion of new and ongoing covenant cases.

CA's **Board of Directors** held a closed virtual work session on July 16, 2020. Participating were Chairman Andrew Stack, Vice Chair Virginia Thomas, and members Dick Boulton, Renee DuBois (joined at 6:05 p.m.), Jessamine Duvall, Lin Eagan, Janet Evans, Alan Klein, Milton W. Matthews, Nancy McCord, and Shari Zaret (joined at 6:13 p.m.). The vote to close the meeting was 8-0-0.

The closed meeting was authorized under the Maryland Homeowners Association Act, Md. Code, Real Property §11B-111(4)(iv), Consultation with staff personnel, consultants, attorneys, board members, or other persons in connection with pending or potential litigation or other legal matters; and (vi) Consideration of the terms or conditions of a business transaction in the negotiation state if the disclosure could adversely affect the economic

interests of the homeowner association. The meeting was closed from 6:05 p.m. until 6:54 p.m. to discuss a potential contract and legal issue.

The **Audit Committee** held a closed virtual meeting on July 20, 2020. Participating were Chairman James Young and members Dick Boulton, Renee DuBois, Janet Evans, and Timothy Redmond. The vote to close the meeting was 5-0-0.

The closed meeting was authorized under the Maryland Homeowners Association Act, Md. Code, Real Property §11B-111(4)(i), Discussion of matters pertaining to employees and personnel; and (iv), Consultation with staff personnel, consultants, attorneys, board members or other persons in connection with pending or potential litigation or other legal matters. The meeting was closed from 8:13 p.m. until 9:54 p.m. for CliftonLarsonAllen's review of internal controls and other communication with the Office of Audit and Advisory Services.

3. Approval of Agenda

Action: Ms. Thomas moved to approve the agenda, seconded by Ms. McCord. Prior to the vote, Ms. Zaret requested a change to the draft minutes of the June 25, 2020 Board meeting. The Chair moved approval of the draft minutes of the June 25, 2020 Board meeting from the Consent Agenda to Board Votes to allow further discussion. Mr. Klein also expressed concern regarding the method being used for Resident Speakout. The Chair called for a vote to approve the amended agenda. The amended agenda was approved by a vote of 8-2-0.

For: Messrs. Boulton and Stack, and Mmes. Duvall, Eagan, Evans, McCord, Thomas, and Zaret
Against: Mr. Klein and Ms. DuBois
Abstain: none

4. Resident Speakout: name and topic

- Kurt Blodgett – Enforcement of mask policy for gym visitors
- Rosalind Danner – Budget questions about increases in technology supplies/expenses and insurance and taxes expenses
- Steve Snelgrove – Symphony of Lights

5. Consent Agenda

- Approval of the Kings Contrivance Association representative to the Watershed Advisory Committee
- Recommendation re: a CA Board Ad Hoc Communications Working Group
- Recommendation re: Live Streaming of Open CA Board Work Sessions

6. Board Votes

- Budget Schedule for FY 2022

Action: Ms. McCord moved to approve the proposed Budget Schedule for FY 2022. Ms. Evans seconded the motion. The Chair asked if there were any objections. Hearing none, the motion was approved unanimously.

- Approval of Minutes – June 25, 2020

Action: Ms. Zaret asked that lines 166-167 be deleted, as her comments were not made at that time in the meeting. Confirming that the change would be made, the Chair asked if there were any objections to the amended minutes. Hearing none, the amended minutes were approved unanimously.

7. Board Discussion

- Pre-filed State Legislation – none
- CA IT and Virtual Meetings

Mr. Thompson described the use of Google Meet for CA's virtual Board meetings and work sessions. He emphasized best practices in the industry, and noted the importance of security measures implemented by both Google and CA for protection. Discussion centered on whether access to virtual work sessions and meetings should be provided to external participants.

104 **8. Chairman's Remarks**

105 Mr. Stack provided a written report.

106
107 **9. Reports/Presentations**

108 a) Report from the President

109 Mr. Matthews provided a report in writing. Mr. Klein inquired about gym participants wearing masks. Mr.
110 Burns provided information on current COVID-19 research and ongoing staff discussions.

111 b) Report from the CA Representatives to the Inner Arbor Trust Board of Directors

112 Ms. Eagan provided a report in writing.

113 c) Financial Reports

114 1) FY 2020 Audited Financial Statements

115 Independent Auditors have audited CA's FY 2020 finances and met with the Audit Committee. The
116 independent auditors provided a clean opinion regarding FY 2020.

117 2) FY 2020 4th Quarter Financial Report

118 Ms. Krabbe referred to her memo, which provided the link on CA's website where the report can
119 be found.

120
121 **10. Tracking Forms**

122 a) Board Requests – No comments were received.

123 b) Resident Requests – Concerns of Ms. Danner will be added to the form and addressed by Ms. Krabbe.

124
125 **11. Possible New Topics**

126 Ms. McCord proposed a new topic re: members under the age of 60 attending Senior-designated times of
127 exercise at the Columbia Athletic Club. Discussion ensued, with several Board members suggesting input
128 from CA's medical director and others regarding any issues associated with mixing different age groups in a
129 designated age-specific exercise time.

130 **Action:** The Chair asked if there were any objections to adding this topic to the agenda of an upcoming Board
131 work session and/or meeting. Hearing none, the topic will be added to the Agenda Topics Log.

132
133 **12. Talking Points** – Provided by Ms. Butler.

134
135 **13. Adjournment** – The meeting was adjourned at 9:25 p.m.

136
137
138 Respectfully submitted,

139
140 Bonnie F. Butler

141 Recording Secretary



Easement Request Form

Date: 8/18/2020

Easement Grantee: HOWARD COUNTY, MARYLAND (the "Grantee")

Project Name: Swan Point Water Easement W-8324

Proposed Easement Location:

Swan Point Place and Cradlerock Way (See Vicinity Map)

Purpose of Proposed Easement:

Water Main Connection

Alternatives to Proposed Easement:

There is an existing water main in an easement on Lot 287 that the County must get to an make a connection. The alternative is to not build the connection which would compromise the integrity of the public water system in the vicinity and leave the residents served by the main without service in the event of a water main break.

Briefly describe who will be impacted and how they will be impacted:

The local Owen Brown residents and the neighborhood of Swan Point will benefit with a redundant water main system that provides integrity of service and increased pressure in the system. There is no impact beyond the disturbance during the construction.

Additional Notes:

The easement area is proposed in the narrow open space strip Cradelrock Way at the Swan Point Way entrance. It is not a pristine open space and on CA facilities will be impacted. HC saved two trees at CA's request and will replace the two trees removed from construction in a location proposed by CA.

Contact Information

Name: Al Edwards
E-mail: albert.edwards@columbiaassociation.org
Phone #: 410.381.3551



Vicinity Map
Swan Point at Lake Elkhorn
County Water Main Extension W-8324

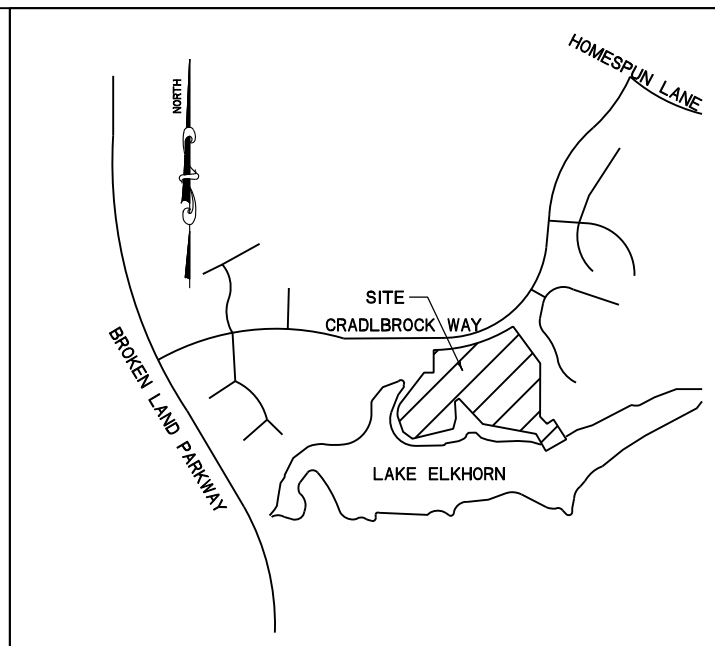
REVISION	DESCRIPTION	DATE

NOTE: THIS SURVEY IS BASED ON
HOWARD COUNTY CONTROL STATION
NO. 0016
N 550279.975
E 1057299.021
PROJECTED BY GPS
TO MD. S.H.A. STANDARDS



COLUMBIA ASSOCIATION, INC. LIBER 1742, FOLIO 039			
1	S 72°02'00" E	27.74'	
2	S 82°43'54" E	20.26'	
3	R = 876.00'	L=14.65'	
	S 54°12'07" W	14.65'	
4	N 82°43'54" W	10.49'	
5	N 72°02'00" W	27.50'	
6	S 62°59'03" W	97.52'	
7	S 18°04'20" W	12.27'	
8	S 26°56'34" E	39.84'	
9	R = 890.00'	L=10.00'	
	CHD. S 63°49'00" W	10.00'	
10	N 26°56'34" W	49.92'	
	R = 840.00'	L=122.70'	
11	CHD. N 60°00'56" E	122.59'	
TEMPORARY CONSTRUCTION EASEMENT AREA 2 1,324 SQ. FT. OR 0.030 ACRES± SHOWN THUS:			

TM 36, PARCEL 427
FLEUR ASSOCIATES LLC
L. 11295 F. 665
PLAT 3718, PARCEL B-1



VICINITY MAP
SCALE: 1" = 1000'

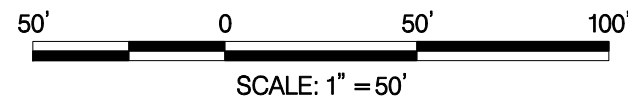
COLUMBIA ASSOCIATION, INC. LIBER 1742, FOLIO 039			
1	N 82°43'54" W	11.13'	
2	N 72°02'00" W	21.10'	
3	S 62°59'03" W	77.95'	
4	S 26°56'34" E	28.45'	
5	R = 890.00'	L=20.00'	
	CHD. S 62°51'03" W	20.00'	
6	N 26°56'34" W	39.84'	
7	N 18°04'20" E	12.27'	
8	N 62°59'03" E	97.52'	
9	S 72°02'00" E	27.50'	
10	S 82°43'54" E	10.49'	
	R = 876.00'	L=14.21'	
11	S 55°08'44" W	14.21'	
12	S 34°23'22" E	14.01'	
20' PUBLIC WATER AND UTILITY EASEMENT AREA 3,177 SQ. FT. OR 0.073 ACRES± SHOWN THUS:			

6TH EXPANSION CONDOMINIUM PLAT
SWAN POINT AT LAKE
ELKHORN CONDOMINIUM
PLAT 5121
SECTION 10

COLUMBIA ASSOCIATION, INC. LIBER 1742, FOLIO 039			
1	R = 890.00'	L=15.34'	
	CHD. S 56°06'27" W	15.34'	
2	N 72°02'00" W	18.42'	
3	S 62°59'03" W	63.82'	
4	S 26°56'34" E	18.26'	
5	R = 890.00'	L=10.00'	
	CHD. S 61°53'07" W	10.00'	
6	N 26°56'34" W	28.45'	
7	N 62°59'03" E	77.95'	
8	S 72°02'00" E	21.10'	
9	S 82°43'54" E	11.13'	
TEMPORARY CONSTRUCTION EASEMENT AREA 1 1,197 SQ. FT. OR 0.027 ACRES± SHOWN THUS:			

8TH EXPANSION CONDOMINIUM PLAT
SWAN POINT AT LAKE
ELKHORN CONDOMINIUM
SECTION 7 & 9
PLAT 5817

SECTION 2



SCALE: 1" = 50'



17830 NEW HAMPSHIRE AVE.
SUITE 200
ASHTON, MD 20861
301-260-0090

THE RIGHT OF WAY LINES AND LINES OF DIVISION
SHOWN HEREON ARE BASED ON A FIELD RUN SURVEY
BY MERCADO CONSULTANTS, INC., COMPLETED
AUGUST, 2016.
THIS PLAT WAS PREPARED BY ME, A LICENSED
PROFESSIONAL LAND SURVEYOR, MARYLAND
REG. NO. 508.
THIS PLAT MEETS ALL REQUIREMENTS OF THE
ANNOTATED CODE OF MARYLAND, TITLE 09,
CHAPTER 06, MINIMUM STANDARDS OF PRACTICE.

MARK A. BUSCH
PROF. LAND SURVEYOR NO. 508
LICENSE EXPIRES 07/15/2019

APPROVED:
BUREAU OF ENGINEERING

DATE
REAL ESTATE SERVICES
DIVISION

DATE

MARK A. BUSCH
MD. REG. PROF. L.S. NO. 508

HOWARD COUNTY DEPARTMENT OF PUBLIC WORKS
SWAN POINT WATER MAIN LOOP GRANT OF EASEMENT
AND TEMPORARY CONSTRUCTION EASEMENTS
COLUMBIA ASSOCIATION, INC.
6310 HILLSIDE COURT, SUITE 100
COLUMBIA, MARYLAND 21046
TM. 36, GRID 21, PARCEL 456
DIST. 16, ACCT. NO. 167169
LIBER 1742, FOLIO 039

DRAWN BY: C.P.E.
CHECKED BY: M.A.B.

PLAT NO. W-4932-1
CAP. PROJ. NO. W-8324

SCALE: 1" = 50'

DATE: 9/20/2017

SHEET 1 OF 1

RESOLUTION AUTHORIZING EASEMENT

The Columbia Association (“CA”) Board of Directors (the “Board”) has considered whether to grant an easement, subject to staff final review, to Howard County, Maryland relating to *Swan Point Water Easement W-8324* on CA Open Space Lot 287, Village of Owen Brown, a copy of which is attached to this Resolution (the “Easement”). The Board makes the following findings with respect to the Easement:

1. The execution and performance of the Easement is taken exclusively for the promotion of the social welfare of the people of Columbia;
2. The Easement is expected to produce civic betterments or social improvements consisting of improved public amenities and public infrastructure; and
3. The Easement produces benefits for the people of Columbia that are necessary incidents to the accomplishment of CA’s purpose to promote the social welfare of the people of Columbia.

Having made these findings, the Board hereby authorizes the execution of the Easement on behalf of CA.

BE IT SO RESOLVED

_____, 2020



September 17, 2020

To: Members of the Columbia Association Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President and CFO

Cc: Lynn Schwartz, Director of Finance/Treasurer
Members of the Senior Leadership Team

Subject: REVISED Proposed Operating and Capital Budget Parameters for FY 2022 –
ELIMINATES THE SECOND OPTION FOR THE OPERATING BUDGET
PARAMETER

At the September 10, 2020 CA Board work session, it appeared that the CA Board may be more comfortable with staff's conservative recommendation for the FY 2022 operating parameter, or increase in net assets, of \$35,000. This number, the increase in net assets or excess of income over expenses, is more in line with the FY 2021 operating budget.

A critical component in the Columbia Association (CA) budget process is the approval by the CA Board of the operating and capital parameters. The capital parameter is the total amount of the capital budget for a fiscal year. The operating parameter is the target for the annual increase in net assets (the annual excess of revenues over expenses) for the fiscal year. ***Please remember that although an increase in net assets in a fiscal year does not represent available cash to the organization; nevertheless, such annual financial results are important to CA, as I will outline later in this memo.***

These parameters will be used to develop the proposed FY 2022 budget, along with input from the Board, community stakeholders and staff throughout the budget process. The budget process, which extends from July 2020 to February 2021, provides numerous opportunities for Board and community input and review. The proposed budget document will be provided to the CA Board and the community on Friday, January 8, 2021.

Establishing these parameters early in the budget process serves multiple purposes:

- a) It ensures that the significant time CA staff spends on developing the detailed budgets over the next few months produces a bottom line result that meets the overall objectives of the Board;
- b) It ensures that the budgets developed and corresponding financial accounting results will comply with all existing debt covenants; and
- c) It ensures that CA will have sufficient cash availability at all times throughout the fiscal year to pay for planned operations and capital expenditures.

Operating Parameter

The FY 2021 and the conditional FY 2022 operating parameter approved by the CA Board in February 2020 was \$3 million for each fiscal year. It was immediately clear with the sudden and unprecedented onset of the COVID-19 pandemic in March 2020 that not only would CA not achieve an increase in net assets of \$3 million for FY 2020, but that it would not be possible to achieve that parameter in FY 2021, primarily due to the very cautious and gradual return of the government and community to schools and programs and facilities similar to ours. As you are well aware, in June 2020, the CA Board approved a revised FY 2021 operating budget with a budgeted increase in net assets of \$35,000.

Even though CA is a non-profit corporation, it is still very important to continue to grow the value of the organization through annual increases in net assets. First and foremost, annual increases in net assets generate cash that is necessary for paying CA's operational bills, funding required debt service and making capital investments in CA facilities and amenities. Second, the trend of growth in net assets is watched closely by CA's current and prospective lenders, auditors and vendors. Lender analysts question in detail year to year declines in the annual increase in net assets. This year, nearly all organizations will show declines in earnings, net assets and or fund balances. However, maintaining annual increases in net assets should be a priority for the Board.

Therefore, it is important that CA produce positive results, at least a minimal increase in net assets, for our community, lenders and other stakeholders. We are confident that CA can achieve an increase in net assets in FY 2022 similar to the FY 2021 budget of \$35,000. Managers will need to continue to carefully monitor revenue and expenses, and make adjustments to expenses in the event of any revenue shortfalls during the year. The team has demonstrated since the onset of the pandemic that this is achievable. If there were to be a second mandated shutdown, we know how to respond quickly and effectively to reduce expenses to offset revenue losses; we are in a better cash position, and CA could weather such a storm.

Therefore, we recommend an operating parameter for FY 2022 (increase in net assets) of \$35,000.

Our recommendation was analyzed carefully in the context of the actual financial results for FY 2020, the first quarter FY 2021 results and our projections for the remainder of the fiscal year. Additionally, we reviewed projected capital spending, economic factors, interest rates, and other potential increases for both revenue and expenses. The recommended target for the increase in net assets also takes into consideration the proposed capital budget for FY 2022 (please see below), as reflected through the impact of the capital budget on depreciation, interest, loss on disposals and other operating expenses. Budgeted revenue and expenses for FY 2022, the line items netting to the increase in net assets, will depend in large part on the Board's decisions related to the continuance of existing programs and services, while weighing the probability of increased annual charge abatements, occasional damaging storms and other indeterminate events.

Capital Parameters

Based on review of the projected capital needs and funding capacity, we recommend that the capital budget for FY 2022 be **\$8,000,000**, the same as FY 2021.

It is absolutely essential to understand that an \$8 million capital budget is far from adequate for maintaining CA's physical assets over the long term. Unless the CA Board chooses to eliminate a substantial portion of those physical assets, a return to the pre-COVID annual benchmark of \$15 million for most years per the October 2019 Ten-Year Financial Plan is necessary. Based on staff expectations at this time and barring another catastrophe of this magnitude, it may be possible for the FY 2024 capital budget to return to the \$15 million level.

While \$8 million does not come close to fully funding the Capital Improvements Plan (CIP) for FY 2022 and requires a significant reduction from the \$15 million conditionally approved in February, a capital budget of \$8 million will continue to allow CA to address safety concerns and the most critical needs of its aging infrastructure. It would also enable CA to address, in what staff hopes is a temporarily limited fashion, its organizational priorities for open space and environmental sustainability. Clearly a number of capital projects in the conditionally approved FY 2022 capital budget will need to be deferred and perhaps set aside entirely, which the Board will determine in its deliberations.

The chart below shows the pre-COVID 10-year average capital budget:

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	10-Year Average
(\$ in 000's)											
Capital budget	\$20,000	\$20,000	\$17,000	\$21,000	\$9,900	\$12,810	\$13,416	\$9,164	\$9,933	\$10,476	\$14,370

Recommendations

In summary, staff proposes the FY 2022 operating budget parameter of \$35,000.

Staff proposes an FY 2022 capital budget of \$8,000,000.

Thank you for your leadership in the budget process, which is especially challenging given the pandemic and resulting economic crisis. This is a difficult time to be a CA Board member; your efforts are appreciated.



September 4, 2020

To: Members of the Columbia Association Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President and CFO

Cc: Lynn Schwartz, Director of Finance/Treasurer
Members of the Senior Leadership Team

Subject: Proposed Annual Charge Rate and Cap for FY 22

Background

The annual charge applies equally to residential and commercial properties within the boundaries of Columbia Association (CA) and is currently \$0.68 per \$100 of assessed valuation, subject to a three-year phase-in and 3.5% cap on annual assessed valuation increases. The maximum allowable rate is \$0.75 and the legislatively mandated cap is 10%.

CA has reduced the rate twice: from \$0.75 to \$0.73 in 1992 and from \$0.73 to \$0.68 in July 2004. CA has reduced the cap multiple times since it was mandated in May 2004; most recently to 2.5% in 2009. CA increased the cap from 2.5% to 3.5% in 2017 to provide additional financial resources for capital projects to address CA's aging infrastructure, resulting in approximately \$252,000 in additional annual charge revenue for FY 17. Even with that change, the combination of both the cap and the rate being below their permitted maximums mean that CA could generate approximately \$8 million in additional annual charge revenue, based on July 2020 data.

CA's actions have been in strong contrast to Howard County's approach to the real property tax. Howard County's cap of 5% has not changed since the Columbia community was founded in 1967. While the County's rate has both increased and decreased over the past 52 years, the most recent change was in 2002, when the County's rate was changed as a result of a legislated change in methodology.

Before the COVID-19 pandemic, annual charge income accounted for approximately 54% of CA's total revenue. For many years, the greatest use of annual charge income was for CA's open space areas – lake and pond dredging; tot lots, plazas, pathway and bridge maintenance; and open space mowing, plantings and snow removal. Additionally, annual charge income:

- Supported the village community associations;
- Supported the CA Camps program, the Art Center, and the Columbia Archives;

- Supported operations of most of our aquatics facilities – outdoor pools and Swim Center; and,
- Funded no-charge community events, such as the Lakefront festivals, international and cultural activities, the Volunteer Center, the Columbia Community Exchange and others.

The annual charge income also contributed to the CA Points program, income-qualified discounts and resident pricing for recreational facilities and programs.

From 2009 when the cap was lowered to 2.5% through 2020, annual charge income increased an average of 3% per year. This trend reflects the increase in the cap to 3.5% in 2017 and new construction within the boundaries of CA. During this 12-year period, residents consistently expressed their desire for new services and programs, as evidenced by requests for new parks, enhanced aquatics venues, and improvements to open space, recreational and fitness facilities, etc. Plus, aging capital assets continue to drive significant increases in maintenance and repair costs.

Impact of the COVID-19 Pandemic

The revised FY 21 budget approved by the CA Board on June 4, 2020 includes annual charge income of just over \$40 million, about 71% of the total budgeted revenue of \$56 million. At this point, we anticipate FY 21 total revenues to be \$55.7 million, of which the projected annual charge income will constitute 73%.

Given this forecast, almost all of CA's no-charge programming, already severely limited by state-mandated restrictions on public gatherings, has been eliminated for FY 21. The Department of Open Space and Facilities Services is projected to be the single largest recipient, 39% or \$15.8 million, of the projected FY 21 annual charge income.

Sport and Fitness income, which was once 38% of total revenue, is projected to bring in about \$12.9 million for FY 21, now about 23% of total projected revenue.

School Age Services income, previously contributing 5% or almost \$4 million to total revenue, is now projected to be \$1.4 million for FY 21, now about 2.6% of total projected revenue. This income source has been significantly impacted by the decision of the Howard County Public Schools System to operate virtually through at least January 2021.

The pandemic and the related State-mandated closures have resulted in an economic crisis for many industries and organizations, including CA. Prior to this scenario, CA had been so committed to and focused on community events and activities, fitness and recreation, all of which have contributed tremendously to building the excellent quality of life that residents of the community and beyond have enjoyed for 53 years. These activities, programs and services have been severely impacted by the pandemic and the resulting economic crisis.

CA will have to pull back significantly on its offerings, focusing most of our economic and human resources on open space and baseline maintenance of our physical assets for FY 22 and, likely, FY 23.

Budget Considerations

The budget implications of the annual charge income are significant, as it will be more than three quarters of the total annual revenue for the organization. Changing the rate by one cent, either up or

down, would result in a total difference of approximately \$642,000. The impact on the average residential property is about \$16 per year.

The annual charge applies to commercial properties exactly as it applies to residential properties. Therefore, for example, a one-cent change in the rate would impact the owner of The Mall in Columbia by a corresponding increase or decrease in its annual charge bill by approximately \$13,800.

Recommendations

Staff recommends that the Board keep the annual charge rate at \$0.68 and the cap at 3.5% for the FY 22 budget, despite the financial constraints outlined above.

The FY 21 average annual charge bill for residential properties is \$1,070. A one-cent rate reduction represents a 1.5% decrease in each property owner's annual charge bill, with an average impact of about \$16 for the year, or about four cents a day.

Given the COVID-19 pandemic and resulting financial crisis and the uncertainty as to the duration of both, staff believes that an increase would be detrimental to the organization's reputation in the community to an extent that would outweigh the benefit of the additional revenue. Yes, CA has significantly cut back on its offerings of services, programs and activities; nevertheless, we believe such decisions are indicative of the times and are expected of CA by its community stakeholders.

The Board's options are to increase the annual charge rate and/or cap; to decrease either or both; or to keep them unchanged.

**COLUMBIA ASSOCIATION
ANNUAL CHARGE ANALYSIS**

August 21, 2020

Sample Properties	Billable Valuation	FY 21 Billed Annual Charge	Annual Impact of a \$0.01 Change in the Rate	First Year Impact of Reducing the Cap to 2.5%
1	\$397,033	\$1,350	\$20	\$0
2	\$390,676	\$1,328	\$20	\$13
3	\$284,197	\$966	\$14	\$9
4	\$305,969	\$1,040	\$15	\$10
5	\$474,900	\$1,615	\$24	\$0
6	\$268,299	\$912	\$13	\$9
7	\$308,737	\$1,050	\$15	\$10
8	\$321,500	\$1,093	\$16	\$0
9	\$277,400	\$943	\$14	\$0
10	\$405,995	\$1,380	\$20	\$13
<i>Average Residential Property</i>	<i>\$314,708</i>	<i>\$1,070</i>	<i>\$16</i>	
Howard Hughes Corp Properties (formerly HRD)	\$381,835,831	\$1,298,242	\$19,092	\$3,926
Brookfield Properties (formerly GGP)	\$276,697,903	\$940,773	\$13,835	\$8,994
Total for Columbia Association	\$12,838,389,369	\$43,650,526	\$641,919	\$254,805

Notes:

1. The CA Board members' properties were used as a sample representing one from each village. This also provides transparency regarding the impact of any Board decision on the annual charge rate. The average impact on the 10 Board members' properties is about \$17, slightly higher than the overall average.
2. The impact of a one-cent increase in the rate over the 27,000 residential properties would be only \$16 per year but would provide \$642,000 in total that could be used by CA in other areas of need.
3. The 2.5 percent cap applies to six of the ten sample properties shown above.
4. A sample of commercial properties was included to show the impact of a one-cent change on those as well.



September 4, 2020

To: Members of the Columbia Association Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President and CFO

Cc: Dan Burns, Director of Sport and Fitness
Lynn Schwartz, Director of Finance/Treasurer
Members of the Senior Leadership Team

Subject: CA Board Membership Pricing Guidance for the FY 2022 Budget

As part of the foundation for the FY 2022 operating and capital budgets, the CA Board of Directors approves the annual charge rate and cap, which is projected to contribute about 71.5% of CA's FY 2021 budgeted revenue of \$56 million. The CA Board also provides guidance to staff for membership pricing.

Background

Membership revenue is projected to contribute 17.4% (approximately \$9.7 million) of CA's FY 2021 budgeted revenue. Before the COVID-19 pandemic and resulting economic crisis, membership revenue consistently contributed about 26% of revenues since at least FY 2013. The first quarter FY 2021 estimate projects that contribution to be 15.7%, slightly under the FY 2021 budget and significantly below the pre-COVID historical trend of 26%.

CA staff work to attempt to orient pricing for memberships and other programs and activities to minimize the use of annual charge revenue for services that may be able to fund themselves. Staff's working assumption has been that what can pay for itself at maturity through its own users should pay for itself, and that the annual charge be reserved to subsidize or fully fund those activities and amenities that are either enjoyed by all (such as open space) or support CA's community mission (such as income-qualified pricing, village community associations, the arts, lakefront music and movies, etc.). For context, CA's income-qualified pricing provides 50% discounts on memberships for those residents earning below 110% of the federal income guidelines based on family size. As of April 30, 2019, 1,410 households within the boundaries of CA accessed CA memberships through this program. The total estimated FY 19 discount for these resident memberships was approximately \$691,000. A very rough estimate of the impact of income-qualified discounts on the FY 2021 membership revenue budget is about \$352,000.

In recent years, Sport and Fitness leadership has focused on minimizing the department's reliance on annual charge revenue, and has achieved the membership revenue contribution to Sport and Fitness operating expenses indicated on EXHIBIT A. Prior to March 2020 and the mandated shut-down, our focus to rely less on the annual charge for Sport and Fitness expenses had been directly impacted by such factors as increases in the minimum wage and other regulatory requirements related to employees, as well as increases in depreciation and interest expense, reflecting the capital investment in Sport and Fitness facilities (e.g., major renovations at the Athletic Club and Swim Center, the replacement of SplashDown, the new Long Reach Tennis Club, etc.) as we worked to keep our programs and services relevant to our ever evolving community.

In the COVID-19 reality, these factors continue to impact our programs and facilities, as minimum wage continues to increase, mandatory leave regulations are still in place, and in some instances expanded, and aging infrastructure still requires maintenance, repair and replacement, depending on the value that the Columbia community sees in them and the CA Board's determination of whether or not they should be continued.

In developing rates, staff considers multiple factors including CA's own operating and capital requirements, competitor pricing, sales feedback, survey data and increased current and future resource requirements. Based on these factors, staff recommends an increase of 2% - 3% for residents, depending on the type of membership, and up to a market-competitive increase for non-resident memberships. As occurred in FY 2021, staff would not automatically increase rates for memberships that for various reasons should not change. The recommended ranges are consistent with Board-approved policy from 2011 that was also applied in the membership restructuring project in 2016 (see Attachment 1).

The Ten-Year Financial Projection shared with the Board on June 27, 2019 reflects a minimal 2% increase in average membership pricing for the ten-year period, and still requires a one-cent increase in the annual charge rate in FY 2026. The FY 2022 membership projection also included 5% growth in membership sales and 3% growth in the total number of memberships after attrition over the FY 2020 budget. These projections have been superseded by the recent COVID-19 pandemic and will be trending lower than anticipated, but as noted above, many expenses will continue to increase.

Using the FY 2020 approved budget as a base, Exhibit B indicates the incremental membership revenue that would be generated at three different possible percentage increase levels in rates. It also shows the important cumulative effect over five years at each level of increase. Revenue lost as a result of not increasing membership rates (barring a change in member behavior through increased sales or decreased attrition) is lost in perpetuity. Lost revenue would need to be offset by increased membership sales, increases in other income categories, program or service reductions or decreases in expenses including depreciation, resulting in less capital investment. Exhibit B shows a few examples of what would be required ... and when.

Staff Recommendations

The staff presents the following alternatives for Board consideration and, ultimately, the approval of one or the other of these options.

1. As noted above, staff recommends an increase of 2% - 3% depending on the type of membership for residents and up to a market-competitive increase for nonresident

memberships. Of course any price change would only occur for memberships that provide access to facilities and programs that the CA Board chooses to retain in the FY 2022 budget. This is not a mandate to increase all rates by these amounts, but to allow staff to make those changes that make sense from market or equity perspectives.

2. An alternative approach that staff believes may help the organization and the Board to advance CA through values and policy direction would be to base the Board's membership guidance on a threshold at a more strategic level. To this end, staff recommends that the Board require a minimum contribution from membership revenue of 45% of Sport and Fitness total operating expenses for the FY 2022 budget. Then staff would balance revenue and expense changes to achieve that requirement.

Staff will then use this membership rate guidance to develop membership revenue for the proposed FY 2022 budget that will be distributed to the CA Board and the community in early January 2021.

Exhibit A - Membership Revenue Contribution to Sport and Fitness Expenses

<i>Dollars in 000's</i>	FY 17 Actual	FY 18 Actual	FY 19 Actual	FY 20 Actual	FY 21 Budget	FY 21 Q1 Estimate
Total Membership Revenue	\$18,210	\$18,484	\$18,928	\$16,286	\$9,745	\$8,720
Increase (Decrease)		1.5%	2.4%	(14.0%)	(40.2%)	(10.5%)
Total Operating Expenses (including allocations)	\$31,393	\$31,831	\$33,608	\$33,005	\$25,289	\$25,049
<i>Increase (Decrease)</i>		1.4%	5.6%	(1.8%)	(23.4%)	(0.9%)
Membership Revenue - funding of operating expenses	58%	58%	56%	49%	39%	35%
<i>Increase (Decrease)</i>		0.1%	(3.0%)	(12.4%)	(21.9%)	(9.7%)
Depreciation and Interest	\$4,963	\$5,405	\$6,158	\$6,722	\$7,165	\$7,274
<i>Increase (Decrease)</i>		8.9%	14.0%	9.1%	6.6%	1.5%

Exhibit B - *What If?*

	3%	2.5%	2%
Increase in FY 21 Membership Revenue	\$311,000	\$259,000	\$207,000
5 Year Cumulative Increase	\$1.6 million	\$1.3 million	\$1.0 million
Additional New Sales at May 1 in lieu of increase	298	248	199
Additional New Sales at June 1 in lieu of increase	325	248	217

Membership Pricing Philosophy

(Last reviewed by the CA Board in May 2016)

1. The goal of resident membership rates is to maximize participation while generating a revenue stream to meet CA's financial goals.
2. The goal of non-resident membership rates is, at a minimum, to match the market for comparative services and programs. (An exception to this is in the rare instances where a specific facility has limited capacity. In this case, non-resident rates are raised above the market to manage the number of non-resident memberships.)
3. Resident membership rates are significantly discounted in acknowledgement that residents pay an annual charge to CA.
4. In an effort to make Sport & Fitness memberships affordable to all residents, additional discounts on the resident membership rates are available for CA residents who are income-qualified.
5. Our goal is to make the composite rates less than the sum of the standalone memberships. (We offer these rates as incentives for individuals to choose the membership that encourages them to participate in all of the Sport & Fitness programs, services and facilities.)
6. There is no double discounting.
7. Adding value and services will increase both market share and revenue.



September 4, 2020

To: Columbia Association Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President and CFO

Cc: Lynn Schwartz, Director of Finance/Treasurer
Members of the Senior Leadership Team

Subject: New Reserve Fund Parameter

Background

As you know, the March 2020 mandated closures of CA's facilities and programs due to the COVID-19 pandemic created serious financial challenges for CA for several reasons. The closure of Howard County Public Schools as of March 16, 2020 resulted in the FY 2020 loss of \$810,000 revenue from the School Age Services program. CA chose to not bill members for memberships while the facilities were closed, resulting in a loss of \$4.2 million, which included non-dues revenue from all fitness and recreational activities. The closures came near the end of the FY 2020 fiscal year, giving staff little time to reduce expenses to more fully offset the lost revenue. Nonetheless, the team responded very well, so that CA ended FY 2020 with an increase in net assets of \$1.7 million.

The timing was also difficult for CA in that it was mid-month; we did not bill the March membership revenue, and we had very limited options to offset the cash shortfall created by the absence of the Sport and Fitness revenue. The existing line of credit had a limit of \$12 million for the month of March. CA's cash reserves were limited to the excess cash in the general liability self-insurance trust. We obtained permission to transfer \$3 million, the majority of that excess cash, to CA's account as a precaution, helping CA to keep the line of credit balance under \$8 million for the month, and providing some reserve cushion as we implemented cost reduction measures immediately and until we received the new loan proceeds in June 2020.

Financing Strategy

For decades, CA had significant long-term debt outstanding due to the concept of pre-servicing, whereby the Columbia community was able to enjoy amenities such as pathways, tot lots, neighborhood centers, parks, lakes and ponds, fitness and sports facilities, indoor and outdoor pools, an art center, teen center, etc., many of which were built far in advance of a population adequate to support them. CA did not have any cash reserves for the first few decades of its existence. Previous management teams and

Boards established a very effective strategy taking advantage of extremely favorable short-term rates to pay off high interest rate, non-callable bonds; obtain an upgraded bond rating and issue new, long-term debt with more favorable terms. In FY 2015, CA retired the last of those bonds, obtained an upgraded issuer credit rating of Aa1 and issued \$30 million in long-term debt to pay off the \$27 million balance on the short-term line of credit. CA kept the short-term line of credit in place to continue to take advantage of historically low short-term interest rates to help fund much-needed capital reinvestments, including significant projects in open space, such as the first-time ever dredging projects for all three of CA's lakes.

For FY 2018 through FY 2020, CA's cash flow from operations averaged \$16 million, while the capital spending averaged \$19 million and long term debt repayment averaged \$1.9 million. Thus, over the three most recent fiscal years, CA generated enough cash flow from operations to fund almost 77% of its capital reinvestment and long-term debt repayment.

The October 2019 updated 10-Year Financial Projection projected little need for more long-term debt, in part due to an average annual capital budget of only \$15 million (down from \$20 million for more recent years. In fact, the model projected only one long-term debt issuance of \$35 million to occur in FY 2026, primarily to finance the purchase of CA's headquarters building.

June 2020 Financing

As you know, due to the pandemic and resulting mandated closures, as well as changes in CA's relationship with the then-existing line of credit holder, CA obtained a \$20 million term loan and a revolving line of credit of up to \$20 million, both of which are secured by the annual charge revenue. The \$20 million term loan was used to pay off the old line of credit balance of approximately \$17.5 million.

This new financing requires CA to maintain minimum liquidity of \$3 million. That amount has been set aside in CA's cash flow projections. Unfortunately, that amount is not available for use.

"Rainy Day" or Reserve Fund Information

Staff research into "rainy day" or reserve funds indicates that at least at the state government level, the median rainy day fund balance as a percentage of general fund expenditures in 2019 was 7.3% for all 50 states. The State of Maryland's rainy day fund balance was 5% of its general fund expenditures in 2019. Howard County's rainy day fund is to be maintained at no less than 7% of the total audited general fund expenditures for the prior fiscal year.

Staff research into reserve fund guidance for nonprofit organizations (without funding sources like the CA annual charge) found general recommendations of three to six months' of expenses, with the low end being enough to cover at least one full payroll including taxes. Clearly these amounts vary widely as shown in this chart.

	FY 2019 Actual	FY 2020 Actual	FY 2021 Budget
CA's total expenses	\$68,812,000	\$68,498,000	\$55,961,000
5% of CA's total expenses (similar to State of Maryland)	\$3,440,600	\$3,424,900	\$2,798,050
7% of CA's total expenses (similar to Howard County)	\$4,816,840	\$4,794,860	\$3,917,270
3 months of CA's total expenses	\$17,203,000	\$17,124,500	\$13,990,250
6 months of CA's total expenses	\$34,406,000	\$34,249,000	\$27,980,500

Research indicates that funding sources vary, with some entities setting aside a portion of their ongoing annual revenue and others designating less routine sources, such as funds from legal settlements, growth in annual revenue, special or additional taxes, etc. Regardless of the source, those funds are not used for current operating expenses, and have various restrictions over their withdrawal and usage, as well as their replenishment.

The pandemic and corresponding economic downturn have created extreme financial uncertainty for most organizations, including CA. Balancing the funding of a reserve fund with the agility needed to respond to the constantly evolving pandemic is crucial over the next fiscal year, at least.

Recommendations

For the FY 22 budget, staff recommends that the Board approve a reserve parameter of \$2 million for FY 22, in addition to the \$3 million liquidity required by the new financing. This \$2 million would be the beginning of a reserve fund for CA that would be built upon on an annual basis going forward.

Staff further recommends that \$1 million of the \$3 million excess cash transferred from the general liability self-insurance trust be returned in May 2021. The actuarial analysis for the FY 2020 financial statements did not require the return of the \$3 million, so the return of \$1 million would be a favorable adjustment to the program at this time.

Our current cash flow projections include the return of the \$3 million to the general liability self-insurance trust that was removed in March 2020 as a precautionary measure to offset the revenue shortfall noted above, indicating that it would be possible to establish an initial reserve of \$2 million and return \$1 million to the trust. This combination of really \$3 million in additional cash reserves moves CA forward on at least the lower benchmarks in the above chart.

Longer term, staff recommends that the Board charge staff with the development of a full rainy day fund policy and program, including funding sources and timeline, withdrawal and replenishment directions, to be submitted for Board evaluation, analysis and approval by April 30, 2021.

CA Board Consideration:

- A) Update on CA open space policy to consider e-scooters as electric bicycles.

Old Policy Language

Traffic and parking on CA open space are under the direction of CA staff or Howard County Police. Operating any motorized conveyance (with the exception of class one electric bicycles as defined under Maryland law and personal mobility devices) within parklands, on pathways or in any other place not customarily used for motorized vehicular traffic is prohibited. Not all of CA's pathways are suited for the use of electric bicycles and personal mobility devices, and caution should be used in operating them. CA open space may not be used in such a way as to infringe upon the safe flow of traffic in neighboring streets.

New Policy Language

Traffic and parking on CA open space are under the direction of CA staff or Howard County Police. Operating any motorized conveyance within CA parklands or on CA property not customarily used for motorized vehicular traffic, is prohibited. A motorized conveyance may be used on CA pathways if it is a class 1 electric bicycle or electric scooter (e-scooter) as defined under Maryland law or a personal mobility device. Not all of CA's pathways are suited for the use of electric bicycles, electric scooters and personal mobility devices, and caution should be used in operating them. Class 1 e-bikes, where allowed, may not be ridden at a pedal-assisted speed in excess of 20 miles per hour and must yield to pedestrians. E-scooters, where authorized, may not be ridden at a speed in excess of 15 miles per hour and must yield to pedestrians. Certain areas, such as the Plaza by Lake Kittamaqundi, are designated for pedestrian use only, and the use of motorized conveyances as well as bicycles is prohibited. Signs to that effect are posted in those areas. CA open space may not be used in such a way as to infringe upon the safe flow of traffic in neighboring streets.

- B) To allow commercial e-scooter sharing services to operate on CA pathways subject to a license agreement between the parties.



TO: BOARD OF DIRECTORS
FROM: SHERI V.G. FANAROFF
RE: PRE-FILED LEGISLATION
DATE: SEPTEMBER 18, 2020

Although there had been discussions regarding the possibility of scheduling a special session of the General Assembly during the fall of this year, to date no special session has been scheduled. There is no pre-filed legislation at this time.

September 18, 2020

Chair's Remarks September 24, 2020 CA Board Meeting

<u>Date</u>	<u>Activity</u>	<u>Time</u>
Sept 21, 2020	Audit Committee	7:00 PM
Sept 22, 2020	New Town Visioning and Planning Workshop 4 (Virtual)	7:00 PM
Sept 24, 2020	CA Board meeting (Virtual)	7:00 PM
Sept 30, 2020	Zoning Board continuation hearing on Hickory Ridge Village Center (County virtual)	6:00 PM
Oct 8, 2020	CA Board work session (Virtual)	7:00 PM

RR = Registration Required or there is a Cost associated with this Activity

The Columbia Archives, in conjunction with the Howard County Library, hosted a virtual event entitled Securing the Foundation and Paving the Way: An exploration of legacy through a conversation with Columbia Torchbearers. The four Torchbearers were Dr. Ruteena Blake, Elizabeth Bobo, Pearl Atkinson-Stewart, and Judy Vogel Glaser. Each Torchbearer discussed her contributions during the early years of Columbia. The program was recorded and will be available on the library's website. The Columbia Archives website is www.columbiaassociation.org/facilities/columbia-archives/.

CA's FY-2021 First Quarter (May through June) financial report and statement are accessible at www.columbiaassociation.org/about-us/financials/financial-reports/. This web page has information concerning budgets, audited financial statements, reports and financial statements.



SENIOR
LEADERSHIP
TEAM

Milton W. Matthews
President/
Chief Executive
Officer

Susan Krabbe
Vice President/
Chief Financial Officer

Dan Burns
Director of
Sport and Fitness

Sheri Fanaroff
General Counsel

Janet Loughran
Executive Assistant
to the President/CEO

Dennis Matthey
Director of Open Space
and Facility Services

Monica McMellon-Ajayi
Director of
Human Resources

Michelle Miller
Director of
Community Services

Tim Pinel
Chief Marketing Officer

Kristin Russell
Director of Planning
and Community Affairs

Chuck Thompson
Chief Information
Officer

Jackie Tuma
Director of
Internal Audit

September 2020

Office of the President/CEO

The President/CEO continues to participate in virtual meetings for those organizations on which he sits as a Board or member. Recent meetings include the Incentives Committee of the Howard County Economic Development Authority (HCEDA); Executive Committee of the HCEDA; the Board of Directors of the HCEDA; Executive Committee of the Howard County Chamber; Finance Committee of the Howard County Chamber; and the Board of Directors of the Inner Arbor Trust.

Howard Community College (HCC) has earned the “*Great Colleges to Work For*” Award by *The Chronicle Of Higher Education* for the 12th consecutive year. HCC is the only community college in the country to receive the “*Great Colleges to Work For*” recognition in every year for which community colleges have been eligible. This national program recognizes colleges and universities that receive top ratings from employees on their workplace practices and policies. When compared to its peers, HCC was selected for special recognition in the category of facilities, workspace, and security.

Association of Community Services (ACS) of Howard County has released its [HoCo Population Analytics](#), a collection of 30 charts displayed in three sections: Population growth shown by race/ethnicity for the County for each [Regional Planning District](#) (RPD); additional information about the size and population of RPD's in 2018; and owner and renter households in 2018. *HoCo Population Analytics* was developed in conjunction with ACS's work as a partner in the Horizon Foundation-supported Racial Equity Collaborative.

Columbia Festival of the Arts (CFA) announced a new leadership team, following the retirement of Executive Director David Phillips at the end of July. Robert Neal Marshall is now Managing Director of the organization, and will be responsible for overall artistic and business leadership, development, direct administration, and production into 2021. Dave Simmons is Director of Programming and Production, with oversight and development of programming and cooperative ventures with CFA partners.

The Roving Radish, an award-winning Howard County program that provides healthy meal kits sourced from local farms, has opened its first storefront in Long Reach Village Center. The village center, which was 80% vacant two years ago, is now part of Long Reach Rising, a new hub for entrepreneurship, arts, and education.

Department of Administrative Services

Highlights

CA received a favorable report from one of the excess general liability insurance carriers on our general liability risk management program. The analyst congratulated us on "having such a well-run program."

CA met the condition to increase the available balance on the new line of credit from \$10 million to \$20 million, well before the 15 September deadline. While our cash flow projections do not see us needing to draw on the line until May 2021, having the full line balance available is helpful.

Challenges

The reduction in operations in many areas of the organization as a result of the impacts of COVID-19 on CA and the need to meet the FY 2021 budget resulted in more CA team members being laid off in late August and some are returning to work at fewer hours. The impact of these decisions has been compounded by our inability to gather in-person to acknowledge contributions and years of service and to support one another.

With the workforce reductions and ongoing operational adjustments, the HR and the payroll teams must process many changes in employment status for team members returning to work, often with very little notice. Although not a permanent solution, assistance from the Office of Audit and Advisory Services has been invaluable in checking the accuracy of pay transactions each pay period.

The impact of reduced staffing through layoffs, furloughs and resignations on the workload of remaining team members is still very challenging.

Recent technical issues with the membership system have resulted in team members already stretched thin having unexpectedly to spend many hours analyzing data and working through various alternatives with the vendor.

Department of Sport and Fitness

Highlights

On 19 August, Dan Burns, director sport & fitness, was part of a national webinar for Club Solutions magazine. Dan was part of a four-person panel that shared ideas and best practices on how fitness facilities can fill the gap left by virtual schooling. Dan was able to showcase CA's school age services program, along with our new "*KidzEscape*" program and swim, tennis and hockey programming.

Tennis

The 2020-2021 "Block Time" season resumed successfully and safely indoors on 24 August at the Long Reach Tennis Club and at the indoor tennis facility at the Athletic Club, with approximately 60% of the renewals from last year.

Demand for private and semi-private lessons with CA coaches continues to thrive. Team members in the Tennis program delivered 335 lessons between 16 August and 15 September 2020.

Aquatics

The Clippers began their new season on 31 August, with 370 swimmers in more than 30 practices a week. More than 50 first-time members were added to the team this season. The Clippers also added a 12-week Clippers Swim Clinic program that currently has 40 swimmers.

Golf

The Business Women's Network of Howard County completed beginner and advanced group lessons, with 12 participants this summer. A new group is being booked for the fall.

Haven on the Lake

"Frozen But Not Forgotten" is a no charge invitation to members of Haven on the Lake, which allows them to take one of Haven on the Lake's weekly classes while their membership is frozen. Participants receive an email invitation to join at a designated time.

Personal Training

Virtual Personal Training began on 14 September and is open to both members and non-members. Sessions begin with a free virtual fitness consultation and run 45 minutes. For more information, visit <https://www.columbiaassociation.org/classes-schedules/health-fitness/personal-small-group-training/virtual-personal-training/>

Supreme Sports Club

Supreme Sports Club and the KidSpace teams introduced *"KidzEscape,"* a program which allows parents to drop off their children in a safe and fun space for two hours. Children enjoy arts and crafts, games and active play, while following CDC safety guidelines and social distancing. There have been 12 enrollments since the program started in mid-August.

Challenges

Member participation is increasing more slowly than anticipated. Our outreach in the Columbia community and beyond continues, with a focus on sharing how valuable exercise is both mentally and physically, especially in our current times, as well as to highlight the significant safety measures that CA has put in place to provide a safe environment in which to work out.

Opportunities

Programs, such as KidzEscape and Martial Arts (which is restarting 1 October), are opportunities for CA to support the community and help fill gaps left open by virtual schooling.

Department of Communications and Marketing

Highlights

Columbia Association welcomed two new members to the Department of Communications and Marketing in August. Tim Pinel, chief marketing officer, brings more than 15 years of experience in integrated communications and marketing, with expertise in strategy and brand identity development; market research and analysis; customer acquisition and engagement; strategic planning; and leading cross-functional teams. Tim was previously the Marketing Director for the Maryland Department of Housing and Community Development.

Dannika Rynes, senior manager of media and communications, comes to CA with a background in journalism and nearly ten years of experience in broadcast news. Dannika was previously a news

anchor/reporter for WISC in Madison, Wisconsin, and also worked as a summer intern in the WMAR newsroom in Baltimore. She enjoys sharing messages through a number of different mediums, including traditional writing and a strong social media presence, and believes in helping communities through all avenues of communication.

Department of Open Space and Facility Services

Highlights

Sustainability

CA received a \$15,000 Chesapeake Bay grant for invasive species removal and tree planting in the community's open space. CA team members will be reaching out to the ten community village associations for site recommendations, with tree planting planned for spring 2021.

Watershed

Construction work associated with the \$2.2 million State Highway Administration (SHA) project for stream restoration in CA's open space will begin early fall 2020. The project will take approximately eight months to complete and will reduce the annual sediment deposition in Wilde Lake and Lake Kittamaqundi by 1,800,000 pounds or 900 yards of sediment annually.

Minor pathway closures will take place to facilitate the movement of equipment and materials as they are delivered to the site. The stream channel will be widened in several areas to better approximate post-development storm flows. Widening the stream channel will require limited tree removal, which will be offset by installation of new trees after the stream channel grade has been established.

Facilities

The following projects were completed in August:

- New roof installation at the Running Brook Neighborhood Center;
- Floor installation at the Owen Brown Community Center Meeting Room; and
- Carpet installation at the Owen Brown Community Center Preschool Room.

Open Space

Aquatic weed harvesting at all three lakes was increased throughout August. The harvesters were in operation most weekdays and will continue in September. The Open Space management team is currently evaluating alternative options to supplement the harvesting, with the goal of improving both the overall water quality and the efficiency of the operation.

Capital Improvements

The Rustling Leaf / Farbell Row stabilization project is now complete and the pathway has been reopened. Contract pricing for the Lake Elkhorn forebay dredging has been received, and we are scheduled to award the contract by the end of September, with work expected to begin early fall of 2020.

Energy Management

CA received the 2020 ENERGY STAR Award for Excellence in Promotion crystal trophy from the U.S. Environmental Protection Agency. The official awards ceremony to present the trophy was scheduled for April, but was cancelled due to the COVID-19 pandemic.

Staff continued to install UV sanitizing air purifiers and HEPA air filters in CA facilities to help improve air quality. A six-kilowatt solar system was activated at Slayton House. Planning for other capital

improvements, including new HVAC units at the Other Barn and at the Supreme Sports Club, is underway.

Department of Community Services

Highlights

School Age Services

School Age Services began its full-day program on 8 September 2020 at Northfield, Clemens Crossing, and Cradlerock Elementary Schools. The three schools have a maximum capacity of 26 participants per school. Registration for the first week, 8-11 September, was at 37 children, and for the second week, 14-18 September, was at 56 participants. Prior to entering the program site, the children have their temperature taken and masks are worn inside. The parents, children, and staff have been extremely flexible and cooperative.

Columbia Archives

Columbia Archives, in partnership with the Howard County Library System, hosted a virtual dialogue on 14 September entitled, [*Securing the Foundation and Paving the Way: An exploration of legacy through a conversation with Columbia's Torchbearers.*](#) This is the second virtual program on which the Columbia Archives has collaborated with the Howard County Library System during the pandemic.

Lela J. Sewell -Williams, manager of the Columbia Archives, will curate a dialogue between regional Torchbearers, Dr. Ruteena Blake (Little Theater Movement, Young Travels Club), Ms. Liz Bobo (Former Howard County Executive, former MD House of Delegates), Ms. Judy Vogel Glaser (Women's Center), and Ms. Pearl Atkinson-Stewart (C.U.B.E.). This conversation will identify how personal mission, aligned with community activism, have paved the way toward securing beneficial practices for the past, present, and future of our community. All of the participants are committed to the preservation of their legacies of activism and to preserving those legacies in the Columbia Archives.

Challenges

Due to the reduction in force, the remaining Community Services staff members are diligently working to provide the best customer experience as possible, with a positive and hopeful attitude.

Opportunities

Columbia Archives has partnered with the Howard County Historical Society and the Howard County Public Library System to create "*Vantage 2020: A Howard County Digital Oral History Project.*" This project was developed to provide an unbiased repository for the most comprehensive oral histories of the experiences of 2020 for all Howard County residents to be preserved for perpetuity. This collaborative project is founded upon the collective mission to serve Howard County communities through access to information, while simultaneously preserving our experiences for future generations.

Classes at The Art Center will resume later in September, leading with classes that have been requested by the public.

Office of Planning and Community Affairs

Highlights

The New Town (NT) Planning & Visioning workshops are underway, and as of August we had our first two. The workshops have been informative and we have received significant positive feedback.

Challenges

With community village associations returning to their buildings in very limited capacities, Repairs & Maintenance needs that had gone unnoticed or delayed during the height of the COVID-19 shutdown now need to be addressed. With our tight budget, we are prioritizing safety issues and more critical projects so that we can spread the limited dollars.

Opportunities

With staff in the Office back to full-time status, time is now available to catch-up on projects previously postponed, including the annual update of the CA Boundary Map to reflect the most current village and neighborhood designations.

Thought of the Month

“Staying positive does not mean you have to be happy all the time.
It means that even on hard days, you know that there are better ones coming.”

As part of the Trust's reopening plan, The Columbia Orchestra, in partnership with the Trust, will be presenting 2 live performances of Carnival of the Animals on Sept. 26th. In addition to the 2 performances, the event will be recorded and streamed at no charge. For the live performances the ticket price will be \$10. In keeping with the state's recent transition to a modified phase 3 opening, everyone will be masked, seated in socially distanced individual and family pods, and no food or beverages will be available. Working closely with the County, the Trust has developed a comprehensive plan, including keeping good records of attendees for any contact tracing, to keep attendees and staff as safe as possible.

The Trust, along with its partners, is also planning for small daytime events through October.

The CA pathway from Little Patuxent Parkway to the Chrysalis is almost complete. Finally there is an easy and welcoming way to enter Symphony Woods without parking. The Trust is hoping that Rec and Parks will be able to release the money for the County funded pathway in time to have it completed by mid 2021.

The Symphony Woods Concept Plan Committee, chaired by Janet Evans, is on the way to creating a good, balanced plan to update the Trust's current site development plan. Janet feels that it is a manageable plan fitting the scale and scope of the Park, with an infrastructure that will be easy to maintain. The Plan will be introduced on November 2 and the CA Board will be invited to attend.

CA has informed the County DPZ that they will not give permission for vehicular events within the Park. CA and the Trust are still waiting for a ruling on the injunction on the SOL.



September 18, 2020

To: Members of the Columbia Association Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President/CFO

cc: Jackie Tuma, Director of Internal Audit

Subject: First Quarter FY 2021 Financial Report

The Audit Committee will review the FY21 First Quarter Financial Report during their September 21, 2020 meeting. We anticipate that the committee members will vote to recommend that the Board of Directors be presented with the FY21 First Quarter Financial Report at that meeting. The link to the Financial Report has been posted as back-up material to the September 24, 2020 Board meeting. The file is too large to post, so to access the report online, go to <https://www.columbiaassociation.org/about-us/financials/financial-reports/>; then scroll toward the bottom of the page, select "Financial Reports to the Board," then select "FY21 First Quarter" from the list of financial reports posted.

If you have any questions, please let me know.

Columbia Association, Inc.

Financial Statements

July 31, 2020 and 2019

Columbia Association, Inc.

**Statements of Financial Position
July 31, 2020 and 2019
(in Thousands)**

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Columbia Association, Inc.

**Statements of Financial Position
July 31, 2020 and 2019
(in Thousands)**

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 35,453	\$ 12,367
Accounts receivable, net	10,604	8,604
Prepaid expenses and other assets	868	2,432
Risk management fund	3,630	6,625
Workers' compensation fund	3,600	3,574
Property, facilities and equipment, net	136,639	136,959
Intangible assets, net	<u>298</u>	<u>319</u>
 Total assets	 <u>\$ 191,092</u>	 <u>\$ 170,880</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	10,619	12,909
Deferred revenue	<u>3,509</u>	<u>5,200</u>
	<u>14,128</u>	<u>18,109</u>
 Term debt		
Term loan, net of deferred financing costs	39,706	21,704
Capital lease obligations	<u>419</u>	<u>148</u>
 Total term debt	<u>40,125</u>	<u>21,852</u>
 Total liabilities	 54,253	 39,961
 Net assets		
Net assets without donor restrictions	<u>136,839</u>	<u>130,919</u>
 Total net assets	<u>136,839</u>	<u>130,919</u>
 Total liabilities and net assets	 <u>\$ 191,092</u>	 <u>\$ 170,880</u>

Columbia Association, Inc.

**Statements of Activities
July 31, 2020 and 2019
(in Thousands)**

	<u>2020</u>	<u>2019</u>
Revenue		
Annual charge	\$ 43,558	\$ 41,997
Sport and fitness	2,462	7,488
Community services	11	1,070
Communications and marketing	50	37
Open space and facility services	60	44
Village community associations	(4)	3
Interest income and other	26	98
Unrealized (loss) gain on marketable securities	<u>(10)</u>	<u>-</u>
Total revenue	<u>46,153</u>	<u>50,737</u>
Expenses		
Program services:		
Sport and fitness	4,509	8,703
Community services	387	2,083
Communications and marketing	215	642
Open space and facility services	2,267	3,965
Village community associations	<u>1,113</u>	<u>1,066</u>
Total program services	8,491	16,459
Supporting services:		
Administrative	<u>1,739</u>	<u>2,565</u>
Total expenses	<u>10,230</u>	<u>19,024</u>
Increase in net assets without donor restrictions	35,923	31,713
Net assets without donor restrictions, beginning	<u>100,916</u>	<u>99,206</u>
Net assets without donor restrictions, ending	<u><u>\$ 136,839</u></u>	<u><u>\$ 130,919</u></u>

Columbia Association, Inc.

**Statements of Functional Expenses
July 31, 2020
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Salary, Wages and Contract Labor	\$ 1,040	\$ 120	\$ 137	\$ 541	\$ -	\$ 1,838	\$ 643	\$ 2,481
Annual Performance Incentives	-	-	-	-	-	-	-	-
Payroll Taxes	92	10	12	43	-	157	53	210
Employee Benefits	211	66	45	172	-	494	148	642
Operating Supplies/Expenses	114	1	42	52	2	211	14	225
Technology Supplies/Expenses	-	5	10	-	-	15	421	436
Collection and Treasury Expenses	14	1	27	-	-	42	12	54
Fees	128	12	44	206	22	412	168	580
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	778	778	-	778
Temporary Funding & Grants Expense	-	45	-	-	-	45	-	45
Rentals	289	36	52	14	-	391	97	488
Utilities	190	14	3	24	2	233	69	302
Insurance & Taxes	209	9	1	70	14	303	47	350
Repairs & Maintenance	306	10	-	121	19	456	3	459
Depreciation	1,630	53	15	948	261	2,907	57	2,964
Allocations	286	5	(173)	76	15	209	7	216
Total functional expenses	4,509	387	215	2,267	1,113	8,491	1,739	10,230

Columbia Association, Inc.

**Statements of Functional Expenses
July 31, 2019
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Salary, Wages and Contract Labor	\$ 3,969	\$ 1,037	\$ 359	\$ 1,252	\$ -	\$ 6,617	\$ 1,278	\$ 7,895
Annual Performance Incentives	1	1	-	-	-	2	9	11
Payroll Taxes	336	86	27	92	-	541	89	630
Employee Benefits	358	102	68	252	-	780	209	989
Operating Supplies/Expenses	438	100	208	121	2	869	63	929
Technology Supplies/Expenses	12	9	11	2	-	34	339	373
Collection and Treasury Expenses	44	27	83	(3)	-	151	21	172
Fees	199	555	71	696	30	1,551	241	1,792
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	745	745	-	745
Temporary Funding & Grants Expense	-	-	-	-	-	-	-	-
Rentals	315	46	59	21	-	441	94	535
Utilities	375	23	5	25	2	430	104	534
Insurance & Taxes	166	10	1	62	12	251	39	290
Repairs & Maintenance	623	19	5	384	9	1,040	17	1,057
Depreciation	1,497	41	11	969	237	2,755	52	2,807
Allocations	370	27	(266)	92	29	252	10	262
								-
Total functional expenses	8,703	2,083	642	3,965	1,066	16,459	2,565	19,024

Columbia Association, Inc.

Statements of Cash Flows
July 31, 2020 and 2019
(in Thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 35,923	\$ 31,713
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	2,964	2,807
Bad debt expense	10	7
Amortization of deferred financing costs	3	3
Loss (gain) on disposal of fixed assets	3	48
Unrealized loss (gain) on marketable securities	10	-
Changes in operating assets and liabilities		
Accounts receivable	(8,592)	(5,667)
Prepaid expenses and other assets	(374)	(725)
Accounts payable and accrued expenses	(3,655)	(882)
Deferred revenue	(189)	734
Net cash provided by operating activities	<u>26,103</u>	<u>28,038</u>
Cash flows from investing activities		
Purchases of investments held by trustees	(682)	(3,321)
Proceeds from maturities of investments held by trustees	648	3,262
Purchase of property, facilities and equipment	(729)	(4,214)
Proceeds from the sale of equipment	14	-
Proceeds from sale of Intangible assets	21	-
Net cash used in investing activities	<u>(728)</u>	<u>(4,273)</u>
Cash flows from financing activities		
Net borrowings (repayments) under line of credit	(9,746)	(11,001)
Net new lease/principal payments on capital lease obligations	365	(47)
Term loan proceeds	20,000	-
Term loan issuance/financing costs	(136)	(449)
Term loan principal payments	(465)	-
Net cash provided by (used in) financing activities	<u>10,018</u>	<u>(11,497)</u>
Net (decrease) increase in cash and cash equivalents	35,393	12,268
Cash and cash equivalents, beginning	<u>60</u>	<u>99</u>
Cash and cash equivalents, ending	<u>\$ 35,453</u>	<u>\$ 12,367</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 216</u>	<u>\$ 263</u>

Columbia Association, Inc.

**Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)**

Note 1 - Organization and summary of significant accounting policies

Organization

Columbia Association, Inc. (the "Association") is a nonprofit membership corporation, incorporated under Maryland law. It develops and operates recreation and community facilities; provides community programs and assistance; and maintains and develops park land and open space in Columbia, Maryland. The Association is governed by an eleven-member Board of Directors comprised of the Association's President and ten members elected by residents of each of the ten villages.

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Association defines cash equivalents as all highly liquid investments with maturities of ninety days or less when acquired, except when such investments are held by trustees for the risk management and workers' compensation funds.

Accounts receivable

Accounts receivable consist principally of membership fees receivable, which are uncollateralized and generally have a term of one year. Accounts receivable also include annual charge balances, which are collateralized by the related property.

The carrying amount of accounts receivable is reduced by a valuation allowance. The reserve for abatements and allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the amount of abatements property owners will receive on their property assessment.

Risk management fund

Under the Association's risk management program, self-insured claims for general liability risks are accrued based on the best estimate of the ultimate cost of both asserted claims and unasserted claims from reported incidents and estimated losses from unreported incidents. Such estimates are reviewed by counsel. The Association is funding the risk management program under a trust fund arrangement, which currently provides for funding as actuarially determined by independent actuaries.

Columbia Association, Inc.

Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)

Workers' compensation fund

The Association has a self-insurance program for workers' compensation. Under this program, the Association has a workers' compensation fund for its estimate of the ultimate cost of both asserted and unasserted claims from reported workers' compensation incidents and estimated losses from unreported incidents. Claims and fund expenses are paid directly out of the workers' compensation fund. The program includes a trust deposit escrow account in the name of Maryland Workers' Compensation Commission for the benefit of the Association. The investment level of the fund is periodically reviewed by the State of Maryland Workers' Compensation Commission and by independent actuaries.

Investments held by trustees

Investments held by trustees consisting of money market funds and U.S. Government mortgage bonds and treasuries are stated at fair value and are reflected in the risk management fund and workers' compensation fund on the statements of financial position.

Property, facilities and equipment, net

Land includes approximately 3,600 acres of land that has been contributed to the Association since the establishment of the community of Columbia and is recorded at zero value. The contributed land is subject to a zoning ordinance limiting its usage to public or community usage. Costs of parks, lakes and related permanent land improvements are accounted for as land and are not depreciated because they have an indefinite useful life. Facilities, equipment and land improvements that have a limited life are stated at cost and are depreciated using the straight-line method.

<u>Assets</u>	<u>Estimated useful lives</u>
Building and recreational facilities	10 to 40 years
Land improvements	20 to 25 years
Furniture, equipment and other	3 to 10 years

Expenditures are capitalized if the expenditure results in a new asset with a useful life of at least two years and meets the monetary threshold or represents an addition to an existing asset that materially improves or extends the asset beyond its original intended function or increases the useful life by at least two years. The monetary threshold is defined as \$2.5 for a single item except for certain equipment or livestock, which should be capitalized if a single item costs at least \$1.5. This includes an expenditure that is for a group of identical or coordinating items with a total cost of at least \$2.5 that are purchased together and replaced at the same time.

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that an impairment loss be recognized only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and that the measurement of any impairment loss be the difference between the carrying amount and the fair value of the asset. There were no impairment losses recognized during the periods ended July 31, 2020 and 2019, respectively.

Columbia Association, Inc.

Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)

Intangible assets

Goodwill relates to the purchase of land. The annual charge resulting from this transaction exceeds the carrying amount of the goodwill and therefore no adjustment to carrying value is deemed necessary.

Deferred financing costs

Expenses related to the term loans are being amortized using the effective interest method over the term of the respective debt. Accumulated amortization as of July 31, 2020 and 2019 was \$88 and \$76, respectively. Amortization expense for the periods ended July 31, 2020 and 2019 was \$3 and \$3, respectively. Estimated future amortization expense is as follows:

<u>Year ending</u>	<u>Amortization</u>
2021	\$ 51
2022	46
2023	40
2024	33
2025	26
2026 and thereafter	37
	<u>\$ 233</u>

Revenue recognition

Annual charge

Annual charge revenue consists of annual charges for which future services are not required and are recognized as revenue when the annual charges are levied and due. The annual charge is based on \$0.68 per \$100 of assessed value. The Association's annual charge is billed annually on or about July 1, and the payment is due within 30 days. Annual charge revenue is recognized when billed.

Sport and Fitness

Sport and Fitness revenue is primarily comprised of memberships, fees, and sales.

Membership - Memberships are recognized as revenue on a pro rata basis during the membership period with unearned fees recorded as deferred revenue. Memberships are generally one year, starting on an agreed upon date, or month to month.

Fees - This category contains income from daily admission and guest passes to various facilities and programs. Fees for tournaments, leagues, driving range use and lessons are also included. The Association recognizes revenue when services are provided.

Sales - The majority of this category is comprised of sales of merchandise at the Association's facilities, such as the pro shops at the golf courses, tennis clubs, athletic clubs, etc. It also includes snack bar sales primarily at the outdoor pools as well as ticket sales at the Customer and Member Service Center for non-CA attractions or events. The Association recognizes revenue at the time of sale.

Columbia Association, Inc.

Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)

Community Services

Community Services revenue is primarily comprised of tuition and enrollment, fees and sales from School Age Services and Camps.

School Age Services - The School Age Services (SAS) Programs are offered in certain elementary schools and middle schools. Tuition payments are received for 10 months from September through June and revenues are recognized ratably as services are provided. Unearned tuition payments are reflected as deferred revenue on the statement of financial position.

Camps - Camps are held during the month of June through August. Camp registration fees are recognized as income when received. Camp program fees are recognized ratably over the camp duration. Unearned revenue is reflected as deferred revenue on the statement of financial position.

Deferred Revenue

Deferred revenue is comprised of the following as of July 31:

	2020	2019
Membership fees	\$ 1,969	\$ 3,418
School Age Services	724	698
Camps	-	306
Other	816	778
Total Deferred Income	<u>\$ 3,509</u>	<u>\$ 5,200</u>

Rental expense

Rental expense is recognized over the lease terms as it becomes payable according to the provisions of the respective leases. However, if the rental expense varies from a straight-line basis, future rental expense including scheduled and specific rent increase and/or rent concession are recognized on a straight-line basis over the lease terms.

Advertising

The Association uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising and promotion costs totaled \$27 and \$185 for the periods ended July 31, 2020 and 2019, respectively.

Income taxes

The Association is exempt under Section 501(c) (4) of the Internal Revenue Code. However, the Association is subject to federal and state taxes on unrelated business income, if any. Net unrelated business income was \$0 for the periods ended July 31, 2020 and 2019.

Columbia Association, Inc.

**Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among the programs and supporting services that benefit from those costs. The expenses that are allocated include interest expense which is allocated proportionally based on property and equipment. Costs that can be identified with particular programs or support functions are charged directly to the program or function including salaries and related expenses which are charged based on time and effort.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net asset amounts.

Subsequent events

The Association evaluated subsequent events through September 11, 2020, the date the financial statements were available to be issued.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued several ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Association's financial statements reflect the application of ASC 606 guidance beginning in 2020. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2014- 09 did not significantly impact the Association's reported historical revenue.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This is a clarifying ASU as mentioned above, that distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. Additionally, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for limited purpose or timing. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2018- 08 did not significantly impact the Association's reported historical revenue.

Columbia Association, Inc.

**Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)**

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of July 31, 2020 and 2019:

	2020	2019
Membership fees	\$ 1,300	\$ 3,025
Annual charges	9,718	5,977
Other	509	515
	<hr/>	<hr/>
Total accounts receivable	11,527	9,517
Less reserves for abatements and allowance for doubtful accounts	923	913
	<hr/>	<hr/>
	\$ 10,604	\$ 8,604
	<hr/>	<hr/>

Note 3 - Investments and other assets

Risk management fund

Investments included in the risk management fund are held by a Trustee and are combined in a portfolio, which consists of the following as of July 2020:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 85	\$ 85	\$ 52	\$ 52
Government debt securities	3,491	3,525	6,447	6,484
Accrued interest	20	20	89	89
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,596	\$ 3,630	\$ 6,588	\$ 6,625
	<hr/>	<hr/>	<hr/>	<hr/>

Workers' compensation fund

Investments included in the workers' compensation fund are held by a Trustee in a portfolio, which consists of the following as of July 2019:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 2,426	\$ 2,426	\$ 195	\$ 195
Government debt securities	1,173	1,174	3,352	3,367
Accrued interest	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,599	\$ 3,600	\$ 3,559	\$ 3,574
	<hr/>	<hr/>	<hr/>	<hr/>

Columbia Association, Inc.

Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)

Note 4 - Fair value measurements

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Professional guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The levels within the hierarchy based on the reliability of inputs are as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Debt securities

Debt securities consisting of government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of July 31, 2020:

	<u>Fair value measurements using</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Total</u>
Government debt securities*	<u>\$ -</u>	<u>\$ 4,699</u>	<u>\$ 4,699</u>

Columbia Association, Inc.

**Notes to Financial Statements
July 31, 2020 and 2019
(in Thousands)**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of July 31, 2019:

	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	<u>\$ -</u>	<u>\$ 9,851</u>	<u>\$ 9,851</u>

*Government debt securities are included in the risk management fund and workers' compensation fund as discussed in Note 3.

Note 5 – Liquidity

Columbia Association, Inc. financial assets available within one year of the statement of financial position date for general expenditures are as follows as of July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets at quarter end	\$ 191,092	\$ 170,880
Less:		
Prepaid expenses and other assets	868	2,432
Risk management fund	3,630	6,625
Workers' compensation fund	3,600	3,574
Property, facilities and equipment, net	136,639	136,959
Intangible assets, net	<u>298</u>	<u>319</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 46,057</u>	<u>\$ 20,971</u>

Columbia Association has \$46,057 and \$20,971 of financial assets available within one year as of July 31, 2020 and 2019, respectively, on the statement of financial position date to meet cash needs for general expenditures. This consists of cash of \$35,453 and \$12,367 and accounts receivable of \$10,604 and \$8,604 as of July 31, 2020 and 2019, respectively. Accounts receivable consist of annual charge balances, which are collateralized by the related property. Accounts receivable also include membership fees receivable, which are uncollateralized and generally have a term of one

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(in Thousands)

year. None of the financial assets are subject to any contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

In addition, in the event of unanticipated liquidity needs, the Association has a line of credit with varying monthly caps ranging from \$0 to \$10,000 which shall be increased to \$20,000 if certain conditions are met by September 15, 2020. Cash flow requirements are designated by the Association based on forecasted borrowing requirements, of which \$-0- was committed as of July 31, 2020 and 2019. This line of credit is used to meet liquidity needs. See also Note 8.

The Association's operating activity generates positive cash flow of approximately \$15,525 based on a five year average of cash provided by operating activities. The cash is used to fund capital projects and debt service. Any additional funds needed for approved expenditures are obtained from line of credit borrowings.

Note 6 - Property, facilities and equipment, net

Property, facilities and equipment consist of the following as of July 31, 2020:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	98,541	48,004	50,537
Buildings	137,784	69,601	68,183
Leasehold Improvements	5,572	2,692	2,880
Equipment and Vehicles	29,813	22,792	7,021
Other	1,511	27	1,485
Property, facilities and equipment	<u>\$ 279,754</u>	<u>\$ 143,116</u>	<u>\$ 136,639</u>

Property, facilities and equipment consist of the following as of July 31, 2019:

Columbia Association, Inc.

**Notes to Financial Statements
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(in Thousands)**

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	95,046	44,585	50,461
Buildings	130,672	66,093	64,579
Leasehold Improvements	5,571	2,152	3,419
Equipment and Vehicles	29,069	22,131	6,938
Other	5,055	26	5,029
Property, facilities and equipment	<u>\$ 271,946</u>	<u>\$ 134,987</u>	<u>\$ 136,959</u>

Note 7 - Annual charge

The principal source of the Association's revenue is an annual charge, based on a rate (68 cents per \$100 of assessed valuation in both fiscal years 2021 and 2020) established annually by the Board of Directors, on all of Columbia's assessable real property. The Association's net assessed value is 50% of the State's assessed phased-in cash value subject to a 10% annual increase cap; however, the Board of Directors capped the increase at 3.5% for fiscal years 2021 and 2020.

The net assessed value for assessment years beginning July 1 was as follows:

2021	\$ 12,838,389
2019	\$ 12,409,853

Note 8 - Line of credit

The Association entered into a revolving line of credit with a bank on June 25, 2020, which, under the loan agreement, is limited to borrowings of \$10,000 which shall be increased to \$20,000 if certain conditions are met by September 15, 2020. The outstanding note bears interest at the adjusted LIBOR rate. Interest only on the outstanding principal balance shall be payable monthly beginning August 1, 2020. The Line of Credit matures on June 1, 2023.

During fiscal year 2019, the Association had available an unsecured line of credit with a bank under a loan agreement, with varying monthly caps ranging from \$0 to \$30,000 designated by the Association based on forecasted borrowing requirements. The outstanding note bore interest at the lower of the bank's prime rate or LIBOR plus 55 basis points (2.86% as of July 31, 2019) and was due on demand. Additionally, the note bore an unused commitment fee of 10 basis points on any difference between the preauthorized schedule of the projected outstanding balance and the amount of the credit actually used.

The Association had \$-0- outstanding under the lines of credit as of July 31, 2020 and 2019.

Columbia Association, Inc.

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(in Thousands)

Note 9 - Term debt

Term loan

As a result of the COVID-19 outbreak, the Association entered into an agreement for a term loan on June 25, 2020 in the amount of \$20,000. The loan's interest rate is 2.5% and the principal and interest shall be payable in equal monthly installments of \$260 beginning August 1, 2020 through its maturity date, on June 1, 2027. The proceeds from this loan were used to pay off the Line of Credit in Note 8.

On June 26, 2014, the Association entered into a 15-year fixed rate bank loan with a bank in the amount of \$30,000. The loan's interest rate is 3.63% and matures in fiscal year 2030. The Association began making monthly principal and interest payments in August 2014 for the term of the loan. The funds were used to refinance certain interim indebtedness incurred to finance capital improvements.

As of July 31, 2020, the future loan principal payments by fiscal year are as follows:

2021	\$	3,393
2022		4,656
2023		4,798
2024		4,942
2025		5,094
2026 and thereafter		<u>17,056</u>
Total term loan		39,939
Less deferred financing costs, net		<u>(233)</u>
Term loan, net	\$	<u><u>39,706</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$980 and \$560, respectively, as of July 31, 2020, and \$574 and \$486, respectively, as of July 31, 2019. As of July 31, 2020, the future minimum annual payments under capital leases of \$71 were due in 2021.

Note 10 - Retirement benefit plan

Substantially all full-time and eligible part-time employees are covered by a defined contribution retirement benefit plan. Contributions are based on 6% of eligible employees' salaries. Employees become fully vested after six years of service. However; effective April 13, 2020, due to the financial pressures from COVID-19, employer contributions have been reduced to 3% and vest immediately. Expenses under this plan were \$68 and \$336 for the periods ended July 31, 2020 and 2019, respectively.

Columbia Association, Inc.

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Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense exclusive of these costs, was \$474 and \$514 for the periods ended July 31, 2020 and 2019, respectively.

The Association records rent expense using the straight-line method over the life of the lease terms, which differs from the amount of rent due under the terms of the leases, resulting in a deferred rent payable, of \$531 and \$497, which was included in accounts payable and accrued expenses as of July 31, 2020 and 2019, respectively.

As of July 31, 2020, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2021	\$ 1,211
2022	1,642
2023	1,675
2024	1,708
2025	1,743
2026 and thereafter	<u>2,836</u>
Total	<u>\$ 10,815</u>

The lease for the headquarters building located on Hillside Court includes a rent abatement for the period September 1, 2015 to October 31, 2016 which is valued at \$460. Accrued abatements of \$281 and \$318 were included in accounts payable and accrued expenses as of July 31, 2020 and 2019, respectively.

The lease for Haven on the Lake includes a rent abatement for the period September 1, 2014 to August 31, 2015 valued at \$386. Accrued abatements of \$178 and \$213 were included in accounts payable and accrued expenses as of July 31, 2020 and 2019, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$831 and \$896 were included in accounts payable as of July 31, 2020 and 2019, respectively. The abatements and allowances are amortized over the life of the lease and are reflected as a reduction of rent expense as reported in the statements of activities.

Note 12 - Postretirement health care

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and nonsalaried full-time employees and their spouses or surviving spouses. The postretirement health care plan is contributory. The Association will provide a maximum contribution of \$2.5 to retired employees and their spouses for employees who have 20 or more years of full-time service with the Association and have passed their 60th birthday. This contribution will decrease to a maximum of \$1.5 when the retiree reaches age 65. This benefit

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terminates on the 10th anniversary of the benefit commencement date. The employee contributes the remainder of the health care cost.

The following table sets forth the funded status of the Association's postretirement health care benefit plan reconciled to the accrued postretirement benefits cost recognized by the Association as of April 30:

	<u>2020</u>	<u>2019</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 729	\$ 705
Service cost	28	32
Interest cost	28	29
Actuarial loss	4	-
Plan amendments	56	-
Amortization of net loss	-	(5)
Amortization of unrecognized past service cos	-	(15)
Benefit payments	<u>(16)</u>	<u>(17)</u>
Obligation at end of year	<u>\$ 829</u>	<u>\$ 729</u>
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service cost (credit)	\$ 50	\$ -
Unrecognized loss (gain)	<u>(140)</u>	<u>112</u>
Total amount not yet recognized in net periodic postretirement benefit costs	<u>\$ (90)</u>	<u>\$ 112</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 28	\$ 32
Interest cost	28	29
Amortization of net gain from prior periods	(19)	-
service cost	<u>6</u>	<u>15</u>
Net periodic postretirement benefit costs	<u>\$ 43</u>	<u>\$ 76</u>

The discount rate was 2.8% and 4.05% as of April 30, 2020 and 2019. The gross trend rate for health care coverage is 4.45% for all years.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percent change in assumed health care cost trend rates would have the following effects as of April 30, 2020:

Columbia Association, Inc.

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	<u>1% increase</u>	<u>1% decrease</u>
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 8	\$ (6)
Effect on the health care component of the accumulated postretirement benefit obligation	90	(79)

The following is a projection of benefit costs under the plan:

2021	\$ 30
2022	34
2023	46
2024	51
2025	62
2026 - 2030	345
	<hr/>
	\$ 568

Note 13 - Significant estimates

Reserve for general liability self-insurance

Under its general liability self-insurance plan, the Association accrues the estimated expense of general liability claims based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience. Accruals for such costs of \$1,130 and \$1,287 are included in accrued expenses as of July 31, 2020 and 2019. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Reserve for workers' compensation self-insurance

Under its workers' compensation self-insurance plan, the Association accrues the estimated expense of workers' compensation claims based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience.

Accruals for such costs of \$1,856 and \$2,055 are included in accrued expenses as of July 31, 2020 and 2019, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Note 14 - Concentration of credit risk

The Association maintains its cash balance in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Association has not experienced any losses with respect to its bank balances in excess of government provided

Columbia Association, Inc.

**Notes to Financial Statements
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insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of July 31, 2020.

Note 15 - Contingencies

The Association is periodically a party to various lawsuits, claims and investigations, both actual and potential arising in the normal course of business. Based on internal review and advice of legal counsel, management believes the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Association's financial position or results of operations.

Note 16 - Subsequent events

On March 11, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its 2020 and 2021 operations and financial results, including sport and fitness, community services, open space and facility services. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Board Request Tracking Log
FY 2021
As of September 16, 2020

	A	B	C	D	E	F
1	<u>Originator</u>	<u>Issue/Task Description</u>	<u>Origination Date</u>	<u>Assigned To (Department)</u>	<u>Due Date</u>	<u>Resolution</u>
2	Nancy McCord	Communications to the Community	5/28/2020	BOD; Communications and Marketing	On-going	The BOD is working on a draft overall communications strategy to ensure that a consistent message is given to the community. Communications and Marketing is using the website and social media to inform the community of CA's reopening plans.
3	Nancy McCord	Members wish to pay dues and help CA's financial situation in hopes of using the facilities sooner	5/28/2020	Accounting	On-going	Membership billing to be sent on 6/19/2020. CA is a 501(c)(4) organization and cannot accept donations.
4						
5						
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7						
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Resident Request Tracking Log
FY 20
As of September 16, 2020

	A	B	C	D	E	F
1	<u>Originator</u>	<u>Issue/Task Description</u>	<u>Origination Date</u>	<u>Assigned To (Department)</u>	<u>Due Date</u>	<u>Resolution</u>
2	Rosalind Danner	What are the reasons for the increases in FY 2020 Insurance and Taxes expense and Technology Supplies/Expenses, as compared to FY 2019?	7/23/2020	VP/CFO	8/23/2020	E-mail sent on 7/30/2020
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